



**CONGRESSIONAL BUDGET OFFICE
INTERGOVERNMENTAL MANDATES STATEMENT**

November 10, 1999

H.R. 3081

Wage and Employment Growth Act of 1999

As ordered reported by the House Committee on Ways and Means on November 9, 1999

SUMMARY

H.R. 3081 would increase the federal minimum wage in three steps from \$5.15 to \$6.15 by April 2002. It would reduce taxes for certain small businesses, change the tax treatment of certain pension plans, and reduce estate and gift taxes.

INTERGOVERNMENTAL MANDATES CONTAINED IN BILL

Section 101 of H.R. 3081 would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because state, local, and tribal governments would be required to pay a higher minimum wage to employees than they are required to pay under current law.

ESTIMATED DIRECT COSTS OF MANDATES TO STATE, LOCAL, AND TRIBAL GOVERNMENTS

Is the Statutory Threshold (\$50 million in 1996, adjusted annually for inflation) Exceeded?

Yes, beginning in fiscal year 2001.

Total Direct Costs of Mandates

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
Direct Costs	30	100	220	280	250

The amounts in the table represent the estimated increase in wages and payroll taxes that state, local, and tribal government employers would be required to pay to raise the wage rates of all employees who would otherwise have been paid between \$5.15 and the proposed rate. (These estimates are based on the assumption that the federal minimum wage would rise to \$6.15 per hour on April 1, 2002, and remain at that wage rate. The language in the bill, as reported, is unclear as to what the minimum wage rate would be on April 1, 2003, and thereafter. Staff of the sponsor indicated that the bill will be clarified to assure that the federal minimum wage would not revert to \$5.15 per hour on April 1, 2003.)

BASIS OF ESTIMATE

Under section 101 of H.R. 3081, the minimum wage would increase from \$5.15 per hour to \$5.48 per hour on April 1, 2000, to \$5.81 per hour on April 1, 2001, and to \$6.15 per hour on April 1, 2002. The provision of the FLSA permitting employers to pay teenagers \$4.25 per hour during the first 90 consecutive days of employment would not change.

CBO estimated the total number of workers whose wages would be affected by the increase in the minimum wage rate in April 2000 and subsequent months, the wage rates these workers would receive in the absence of the enactment of the proposal, and the number of hours for which they would be compensated. Fewer than 10 percent of the affected workers were employed by state, local, or tribal governments.

The estimate was made in two steps. First, CBO used data from the Current Population Survey to estimate how much it would have cost employers to comply with the mandate had they been required to do so in early 1999. Second, these estimates were used to project the costs to employers beginning in April 2000, taking into account the expected decline in the number of workers in the relevant wage range. Limitations of the data and methods are discussed in more detail in the private-sector mandate statement that accompanies this statement.

**APPROPRIATION OR OTHER FEDERAL FINANCIAL ASSISTANCE PROVIDED
IN BILL TO COVER MANDATE COSTS**

None.

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